

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MCGRANE TO INTERROGATORIES OF
THE ALLIANCE OF NONPROFIT MAILERS
(ANM/USPS-ST44-9 AND 11)

The United States Postal Service hereby provides responses of witness McGrane to the following interrogatories of the Alliance of Nonprofit Mailers: ANM/USPS-ST44-9 and 11, filed on November 14, 1997. Interrogatory ANM/USPS-ST44-10 was redirected to witness Degen.

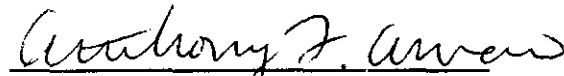
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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November 21, 1997

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ANM/USPS-ST44-9. Please refer to your response to VP-CW/USPS-ST44-2, where you discuss your views on the theory underlying the use of IOCS tallies to study the effects of weight, and class and subclass, on mail processing costs. Please either confirm your agreement with each of the following statements or, if you do not confirm, fully explain your reason(s) for disagreeing:

- a. In order to use IOCS tallies to relate the incremental weight (or indeed class, subclass, and shape) of mail to the cost of clerk and mailhandler time spent processing mail, two principles must hold:
 - (1) *The sample must reflect the universe, meaning that the random instants in time when the tallies are taken must be representative of all instants of clerk and mailhandler mail processing time.*
 - (2) The cost of clerk and mailhandler mail processing time must be directly proportional to the time clerks and mailhandlers spend processing mail.
- b. The IOCS sampling frame is stratified on the basis of CAG.
- c. Parts a. and b. together imply that, within a CAG, if ten percent of the tallies are for Standard A Nonprofit rate mail of a particular shape and weight, then ten percent of all mail processing time is spent on mail of that shape and weight, and therefore ten percent of clerk and mailhandler mail processing costs is due to ("caused by") Standard A Nonprofit rate mail of that shape and weight.

RESPONSE

- a. I agree with the first principle. Since a new mail processing methodology is used, however, the second principle needs to hold only within each separate cost pool.

This is an improvement in the new mail processing methodology relative to the previous methodology, since the new methodology allows wages to vary across the cost pools while the previous methodology assumed the same wage for all mail processing labor within a CAG.
- b. The IOCS stratification is based upon CAG, with CAG A offices further separated into CAG A heavy sample processing and distribution centers, CAG A heavy sample customer service offices, CAG A BMCs, and remaining CAG A offices. Also, within

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certain groups of offices, employees at some pay locations are sampled more frequently.

- c. Not confirmed. In the new mail processing methodology, the variability of the cost of mail processing labor is different for each cost pool. Therefore, only within a cost pool and CAG could one say that if ten percent of the tallies were associated with mail of a particular type, then ten percent of the variable costs in that pool are caused by mail of that type.

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ANM/USPS-ST44-11. Please refer to your response to VP-CW/USPS-ST44-4, part a., and to the table labeled "Attachment 1" that accompanied it.

- a. Do the numbers in the table consist of counts of all IOCS direct mail processing tallies summed across MODS 1&2 offices, BMCs, and other non-MODS mail processing offices? If so, please provide three similar tables disaggregating the tally counts into each of these categories. If not, please explain.
- b. Do the numbers in the table include tallies from mixed "identified containers"? If so, were said tallies disaggregated into their component items and loose shapes and included in the piece and item rows? Please explain fully.

RESPONSE

- a. Yes, the requested tables are attached.
- b. No, the only container tallies presented in "Attachment 1" to VP-CW/USPS-ST44-4, subpart (a), are direct tallies. Direct tallies for a container result only when the container contains identical mail. See the response to VP-CW/USPS-ST44-11.

Attachment 1 to ANM/USPS-ST44-11.
Number of FY96 IOCS Tallies by Weight Increment and Field 9213 Response for MODS 1&2 Offices

		Weight Increment (ounces)															
Rate Category	F9213	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Commercial ECR	Piece	248	97	71	73	20	9	3	8	2	2	0	1	1	0	0	1
	Item	279	172	87	114	22	14	8	10	2	3	1	1	0	1	1	4
	Container	8	8	6	5	1	0	0	1	0	0	0	0	0	0	0	0
	Total	535	277	164	192	43	23	11	19	4	5	1	2	1	1	1	5
Regular	Piece	2,298	1,204	691	753	228	156	81	90	40	39	41	44	27	26	21	24
	Item	1,229	513	263	323	73	68	21	40	17	19	9	15	9	6	2	9
	Container	865	139	32	25	4	4	2	2	1	0	1	0	0	0	0	3
	Total	4,392	1,856	986	1,101	305	228	104	132	58	58	51	59	36	32	23	36
Nonprofit ECR	Piece	46	13	8	6	1	0	1	0	0	0	0	0	0	0	0	0
	Item	62	15	6	5	0	0	1	0	0	1	0	0	0	0	0	0
	Container	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	109	28	14	11	1	0	2	0	0	1	0	0	0	0	0	0
Nonprofit	Piece	940	282	115	106	17	20	9	5	4	7	4	2	2	0	0	1
	Item	533	141	65	22	11	8	2	4	1	0	2	0	0	0	1	1
	Container	12	5	1	2	0	0	0	0	0	0	0	0	0	1	0	0
	Total	1,485	428	181	130	28	28	11	9	5	7	6	2	2	1	1	2

Attachment 1 to ANM/USPS-ST44-11.
Number of FY96 IOCS Tallies by Weight Increment and Field 9213 Response for BMCs

		Weight Increment (ounces)															
Rate Category	F9213	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Commercial ECR	Piece	5	0	0	3	0	0	1	1	0	1	1	1	0	1	2	0
	Item	43	24	19	16	6	3	3	1	3	2	1	0	0	0	0	0
	Container	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	48	24	19	19	6	3	4	2	3	3	2	1	0	1	2	0
Regular	Piece	79	67	56	82	25	47	20	61	34	34	25	54	24	41	37	23
	Item	184	86	54	75	15	31	9	21	7	14	5	7	4	7	6	7
	Container	24	4	0	4	2	3	1	1	0	1	0	0	2	2	2	0
	Total	287	157	110	161	42	81	30	83	41	49	30	61	30	50	45	30
Nonprofit ECR	Piece	2	0	0	1	0	0	0	0	1	0	0	0	0	0	0	0
	Item	5	3	0	0	0	0	1	0	0	0	0	0	0	0	0	0
	Container	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	7	3	0	1	0	0	1	0	1	0	0	0	0	0	0	0
Nonprofit	Piece	24	9	5	13	0	5	4	2	0	1	0	0	0	2	1	0
	Item	69	26	8	9	2	2	0	1	0	0	1	0	0	0	1	0
	Container	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	93	35	13	22	2	7	4	3	0	1	1	0	0	2	2	0

Attachment 1 to ANM/USPS-ST44-11.
Number of FY96 IOCS Tallies by Weight Increment and Field 9213 Response for Non-MOD offices

		Weight Increment (ounces)															
Rate Category	F9213	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Commercial ECR	Piece	98	35	28	33	10	7	2	1	0	0	1	0	0	0	0	1
	Item	103	56	38	29	14	10	0	3	3	2	0	0	0	0	0	0
	Container	3	1	3	4	2	0	1	0	0	0	0	0	0	0	0	0
	Total	204	92	69	66	26	17	3	4	3	2	1	0	0	0	0	1
Regular	Piece	573	277	212	235	76	43	26	27	18	9	12	17	19	18	11	7
	Item	133	55	66	48	23	12	4	7	1	0	3	2	0	1	0	0
	Container	182	27	7	6	2	0	0	0	0	0	0	0	0	0	0	1
	Total	888	359	285	289	101	55	30	34	19	9	15	19	19	19	11	8
Nonprofit ECR	Piece	17	2	1	2	0	0	0	0	0	0	0	0	0	0	0	0
	Item	13	5	2	0	0	0	0	0	0	0	0	0	0	0	0	0
	Container	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	31	7	3	2	0	0	0	0	0	0	0	0	0	0	0	0
Nonprofit	Piece	204	67	27	30	6	4	2	1	0	0	1	2	0	1	0	0
	Item	56	16	4	7	1	0	1	0	0	0	0	2	0	0	0	0
	Container	2	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0
	Total	262	83	31	38	7	4	3	1	0	0	1	4	0	1	0	0

DECLARATION

I, Michael R. McGrane, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.


A handwritten signature in black ink, appearing to read 'Michael R. McGrane', is written over a horizontal line.

Michael R. McGrane

November 21, 1997
Date

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Anthony F. Alverno

475 L'Enfant Plaza West, S.W.
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